

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL FIVE)

Docket No. RM2022-11

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-7 OF CHAIRMAN'S INFORMATION REQUEST NO. 1**
(September 13, 2022)

The United States Postal Service hereby provides its responses to the above listed questions of Chairman's Information Request No. 1, issued September 7, 2022.

The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 277-6333
eric.p.koetting@usps.gov
September 13, 2022

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**

1. Please refer to the Petition, Proposal Five at 2. The Postal Service states that the CDS accrued costs in general ledger (GL) Account No. 53605 – Intra-CSD Regular (Intra-District) – and Account No. 53601 – Intra-processing & distribution center (Intra-P&DC) Regular “comprise the overwhelming majority of all CDS costs and have a distinct treatment.” Petition, Proposal Five at 2; Report at 2. Please explain what “distinct treatment” is accorded to these accounts. *Id.*

RESPONSE:

The small portion of CDS accrued costs that is not in GL Account Nos 53605 and 53601 is variable to the same degree and distributed in the same manner as the non-CDS costs in the accounts in which they accrue. The treatment of CDS accrued costs in GL Account Nos 53605 and 53601 is distinct in that it instead follows the process described in the Report at 1-3.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**

2. Please refer to Library Reference USPS-RM2022-11/1, July 29, 2022, folder "3. Rec 1 Analysis Tables," Excel file "OIG_CDS_response_tables," worksheet "tcss_prop_comparison." The Postal Service states that "[t]o the extent that any CDS costs are accrued in other accounts, such as Inter-SCF and Domestic Inland Water, they are treated in the same manner as the non-CDS costs in those accounts." Petition, Proposal Five at 2; Report at 2.
- a. Please explain the inclusion of the CDS costs accrued in Inter-SCF and Domestic Inland Water accounts in the analysis in table 2 if they are supposed to be treated "in the same manner as the non-CDS costs in those accounts." *Id.*
 - b. Please confirm that only GL Account Nos. 53601, 53605, and 53606 should be considered for analysis under column "TCSS – CDS Only." If confirmed, please also confirm that the total difference by percentage (table 2, cell F35) will be 3 percent. If not confirmed, please explain.

RESPONSE:

- a. Table 2 is provided for an overall comparison of the TCSS and APEX datasets and to illustrate how box and combination route costs are captured across accounts. Table 2 also serves as an update to a table previously provided in response to a similar question posed by the OIG during its audit. The estimation of the cost proportions presented in the Report, like the approved treatment of CDS costs, focuses on the overwhelming majority of CDS costs which are accrued to GL Account Nos 53601 and 53605. CDS costs that are accrued to other accounts, such as those shown in Table 2, are variable to the same degree and distributed in the same manner as the non-CDS costs in those accounts.
- b. Not confirmed. The column "TCSS – CDS Only" illustrates how CDS costs are accrued by account within the TCSS dataset. Unlike the column "TCSS – All

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**

Box/Combo. Routes,” this column uses the available information in the TCSS dataset to parse out costs associated with combination routes that are not CDS costs. The APEX dataset does not have the information necessary to parse out such costs. Thus, the column “TCSS – CDS Only” is compared to the column “APEX – All Box/Combo. Routes” to illustrate the differences in how each dataset can capture CDS accrued costs by account. For the calculation of the cost proportions using APEX and TCSS data, the focus of the analysis in recommendation one, only costs in GL Account Nos 53601 and 53605 are considered. The differences in costs between the “APEX – All Box/Combo. Routes” and “TCSS – CDS Only” columns are \$2.65 million (16.1 percent) for GL Account No. 53601 and \$5.94 million (1.4 percent) for GL Account No. 53605, the significantly larger account, for a combined cost difference across the two columns of \$8.59 million (1.95 percent). CDS costs that are accrued to other accounts are variable to the same degree and distributed in the same manner as the non-CDS costs in those accounts.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**

3. Please refer to the Petition, Proposal Five at 4. The Postal Service "proposes that the GL Account No. 53605 and Account No. 53601 cost proportions be updated on an annual basis using TCSS data." *Id.*
- a. Please confirm that if the proposal is approved, all CDS costs will be accrued into only these two accounts and Account No. 53603 – Intra-P&DC Emergency (Intra-P&DC) and Account No. 53607 Intra-CSD Emergency (Intra-District) and no other general accounts as it is presently.
 - b. If not confirmed, please list the other accounts the CDS costs may accrue and explain why it may be so.

RESPONSE:

- a. Not Confirmed.
- b. As shown in the table below and Table 2 of USPS-RM2022-11-1, July 29, 2022, folder "3. Rec 1 Analysis Tables," Excel file "OIG_CDS_response_tables," worksheet "tcss_prop_comparison," CDS costs had accrued in seven accounts in the FY 2021 TCSS dataset. As referenced in the Report at 2, GL Account Nos 53601 and 53605 are where the overwhelming majority, but not all, of CDS costs accrue. Thus, like in the approved methodology, a small percentage (0.85 percent in the FY 2021 TCSS dataset) of CDS costs will continue to accrue to other accounts and be variable to the same degree and distributed in the same manner as the non-CDS costs in those accounts.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**

GL Account No.	FY21 TCSS - CDS Costs \$(000s)	Percentage of Total
53183	299	0.07%
53601	16,412	3.70%
53605	423,901	95.46%
53606	128	0.03%
53609	487	0.11%
53614	844	0.19%
53618	1,992	0.45%
TOTAL	444,065	100.00%

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**

4. Please refer to the Petition, Proposal Five at 7 and the Report at 14. The Postal Service indicates that “[i]f a CDS route is eligible and the data indicate that it is advantageous from a financial or service perspective to the Postal Service for these deliveries to be conducted by a rural carrier, the route may be converted from a CDS route to a rural route.” Petition, Proposal Five at 7-8. The Postal Service states that “comparable” routes are eligible for conversion, which means that: (i) the CDS contract route must be in an office which only contains CDS and rural routes and (ii) a rural carrier must be capable of executing all activities of the CDS route. Report at 14. Please explain fully any other eligibility factors for converting CDS routes to rural carrier routes.

RESPONSE:

The two factors presented in the Petition, Proposal Five at 7 and the Report at 14 encompass all the eligibility factors.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**

5. Please refer to Library Reference USPS-RM2022-11/1, folder "5. Public Impact," Excel file "CDS Proposal – Public Impact," Excel worksheets "Impact – Rec 1," "Impact – Rec 2," and "Impact-Joint."
- a. Please confirm that the first part of the proposal would result in an increase of the volume-variable highway costs by \$10.9 million or 0.3 percent.
 - b. Please confirm that the second part of the proposal would result in an increase of the volume-variable highway costs by \$33.9 million or 0.9 percent.
 - c. Please confirm that the joint implementation of the two parts of the proposal will cause a shift of \$42.9 million or 1.2 percent in highway costs from institutional to volume-variable costs, using FY 2021 data.
 - d. Please confirm that the joint implementation of the two parts of the proposal will result in a decrease of 0.2 percent in Total Domestic Competitive Mail and Services highway costs and an increase of \$39.1 million or 2.6 percent in Total Domestic Market Dominant Mail costs.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed. Please note that the joint implementation of this proposal also introduces \$8.2 million in Market Dominant Services (as opposed to Mail) highway costs.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**

6. Please refer to Library Reference USPS-RM2022-11/1, folder "3. Rec 1 Analysis Tables," Excel file "OIG_CDS_response_tables," worksheet "tbl3_work." Please describe and show how FY 2021 APEX figures for Intra-P&DC and Intra-District accounts in cells B11, B12, B17, and B18 were derived. If the figures were derived from the provided APEX dataset, please provide the SAS program(s) used.

RESPONSE:

The totals in cells B11 and B12 are similar to the FY 2021 APEX totals for GL Account Nos 53601 and 53605 shown in Table 4 of USPS-RM2022-11-1, folder "3. Rec 1 Analysis Tables," Excel file "OIG_CDS_response_tables," worksheet "tcss_prop_comparison," but include a small portion of costs associated with 5429 (Exceptional Contract Service) invoices. An updated version of the FY 2021 APEX dataset and the "fy21_apex_tcass_comparison" SAS program are included in the zip file attached to these responses. The updated dataset includes the costs associated with 5429 invoices, and the SAS program includes additional code to import the data and calculate the totals in cells B11 and B12.

Cells B17 and B18 were calculated in the SAS program entitled, "fy21_apex_tcass_comparison." The account totals were calculated as the sum of the invoice costs for box/combination routes (i.e., excluding transportation routes). The totals match those in the first column of Table 2 in worksheet "tcass_prop_comparison."

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**

7. Please refer to the Report at 15. The Postal Service states that it was “able to recreate the OIG analysis of the impact of WebEOR and PTR mail mixes on rural and CDS routes, observing that they are similar in this case.” Report at 15. The Postal Service further states that “since this limited analysis only compared route volumes within the same offices and not in the system overall, there are limitations in projecting interpretations to the entire Postal delivery system.” *Id.* at 15-16.
- a. Please provide all the datasets, files, and SAS programs employed to perform the stated analysis.
 - b. Please explain why the Postal Service did not deem it necessary to perform an expanded analysis to compare route volumes in order to eliminate any “limitations in projecting interpretations to the entire Postal delivery.” *Id.* As part of the response, please estimate the time, cost, and other resources required to perform this analysis.

RESPONSE:

- a. The requested materials are included in the zip file attached to these responses.
- b. The analysis provided in the OIG report provides a high-level comparison of the mail mix between CDS and rural routes servicing the same ZIP code on a sample of data. As stated in the OIG report, the Postal Service does not track aggregated CDS mail volumes on a national level nor are CDS routes sampled in TRACS. Additionally, the data utilized in the OIG analysis are not granular enough to produce a distribution key for CDS to compare directly with the rural distribution key or with the Intra SCF distribution key. Since there is no CDS distribution key, the aim in this case was to determine whether a more appropriate proxy could be utilized to distribute these costs. The analysis provided, in conjunction with the similar operational activities, suggests that rural

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**

delivery may be a better proxy for CDS than intra-SCF transportation. While an expansion of this analysis could provide a small amount of further support, based on the available information, the Postal Service already deems the rural distribution key to be the more appropriate proxy for CDS box routes. Since the marginal benefit of expanding the analysis is assumed to be small, the Postal Service did not deem it necessary to expand the OIG analysis.

.